



Wastewater Treatment Division

Financial Strategies Overview

MWPAAC
March 5, 2008

Today's presentation

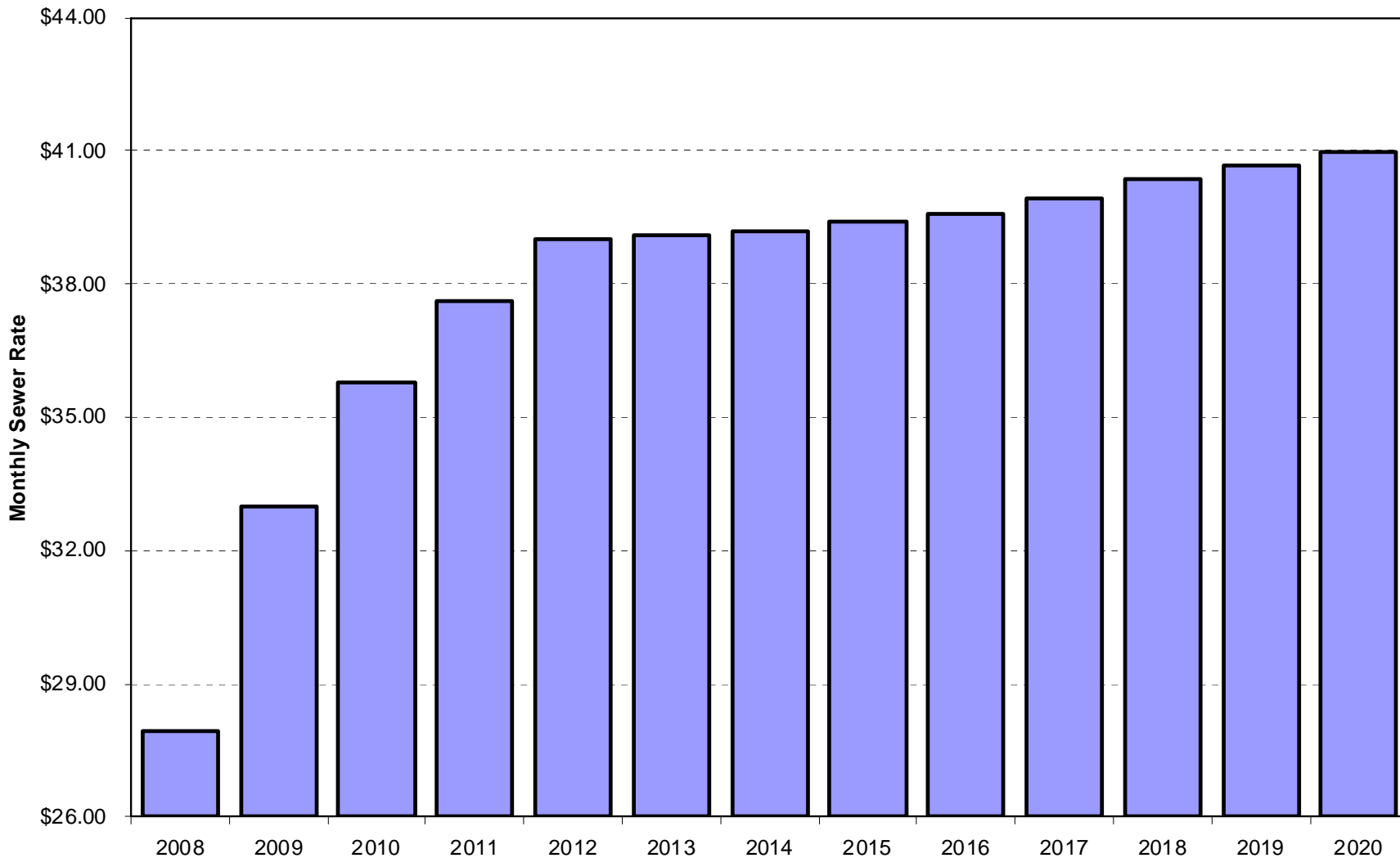


Rate Outlook

Financial strategies to manage rate patterns

Illustration of Finance Options: Level Payment

\$300 Million Bond Issue in 2008; Principal & Interest Payments begin in 2008



Rate Management and Bond Financing Strategies

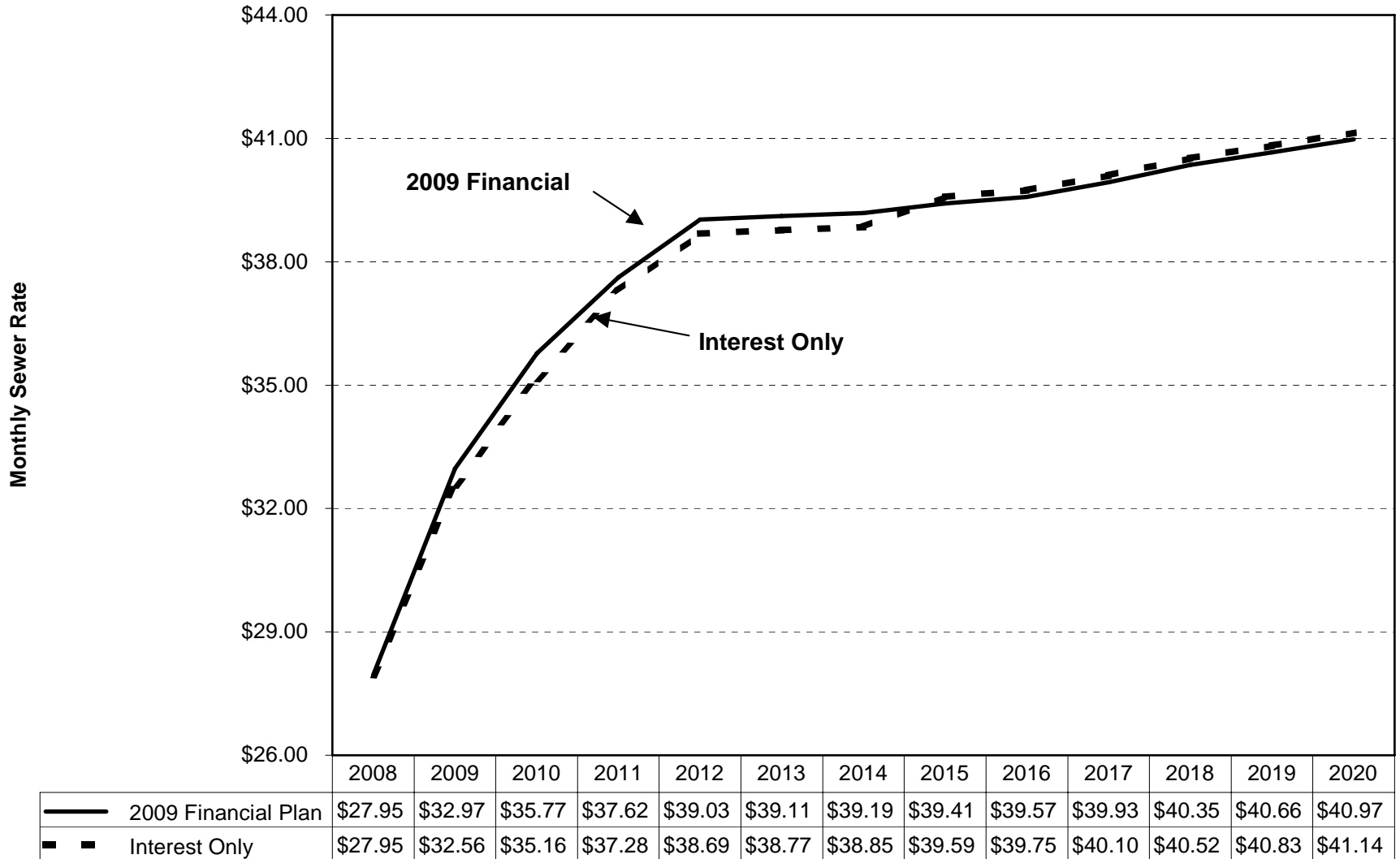
- Financing strategies to manage rate patterns
 - Level Payment (baseline)
 - Interest only (principal deferred)
 - Capitalized Interest
 - Zero Coupon (principal and interest deferred)

Rate Management and Bond Financing Strategies

- Delayed principal amortization – “interest only”
 - Initial years debt service reduced by postponing principal payments
 - Simple to implement, commonly used
 - Limited ability to impact rates

Illustration of Finance Options: Interest Only

\$300 Million Bond Issue in 2008; Principal & Interest Payments begin in 2015



Rate Management and Bond Financing Strategies

- Capitalized interest
 - Increase bond issuance and use additional proceeds to pay interest during initial years
 - Match rate impact to on-line date
 - Rate reduction until facility is on-line, increased borrowing

Illustration of Finance Options: 25% Capitalized Interest

\$300 Million Bond Issue in 2008; Full Principal & Interest Payments begin in 2013

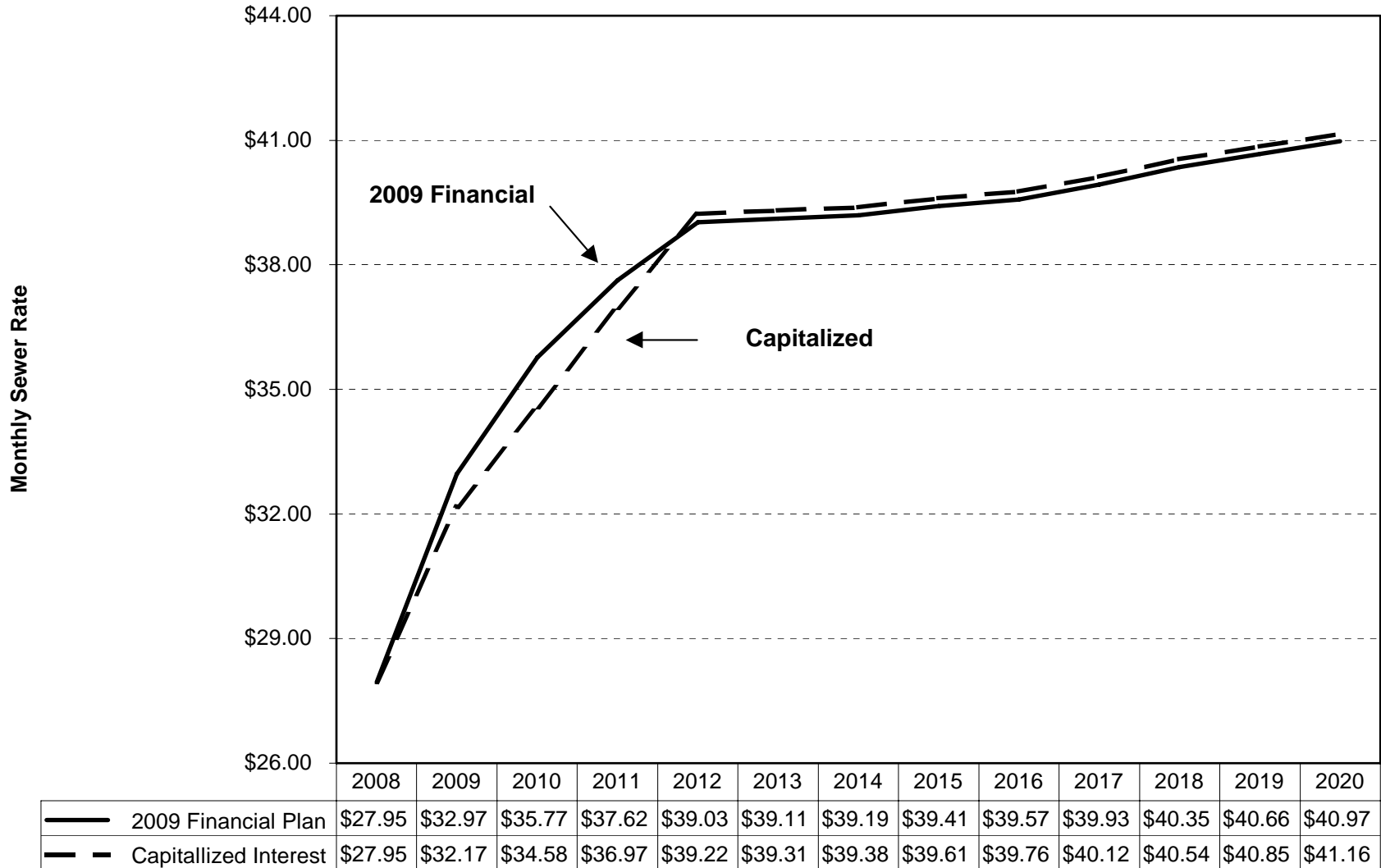
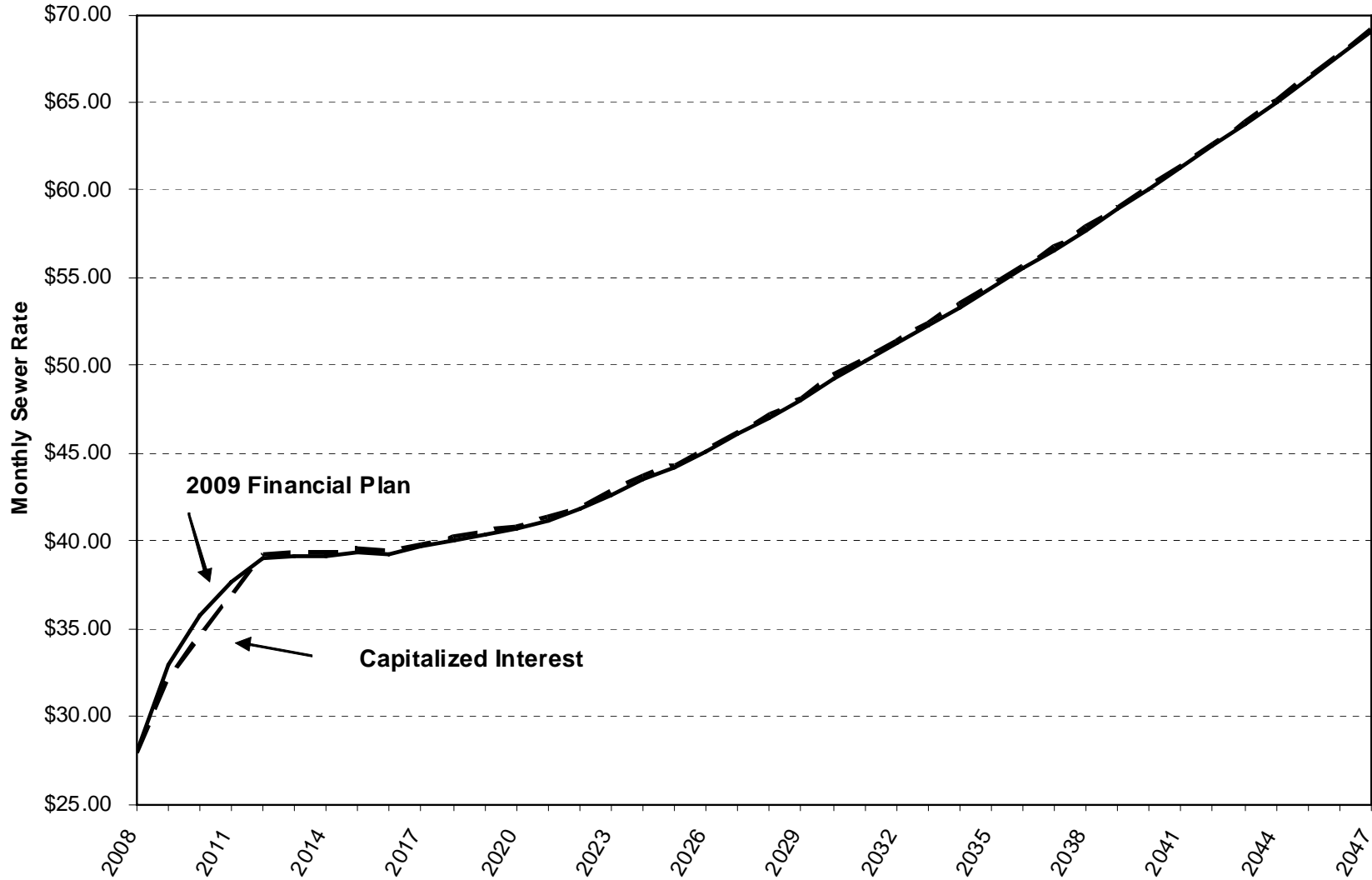


Illustration of Finance Options: 25% Capitalized Interest

\$300 Million Bond Issue in 2008 - Full Principal & Interest Payments begin in 2013



Rate Management and Bond Financing Strategies

- Zero coupon bonds
 - Debt service payments delayed until future date
 - Significant flexibility in affecting debt service, significant ability to manage rate patterns
 - Significant increase in borrowing costs; limited implementation; 40 to 65 basis point penalty

Illustration of Finance Options, 25% Zero Coupon Bonds \$300 Million Bond Issue in 2008; Full Principal & Interest Payments in 2015

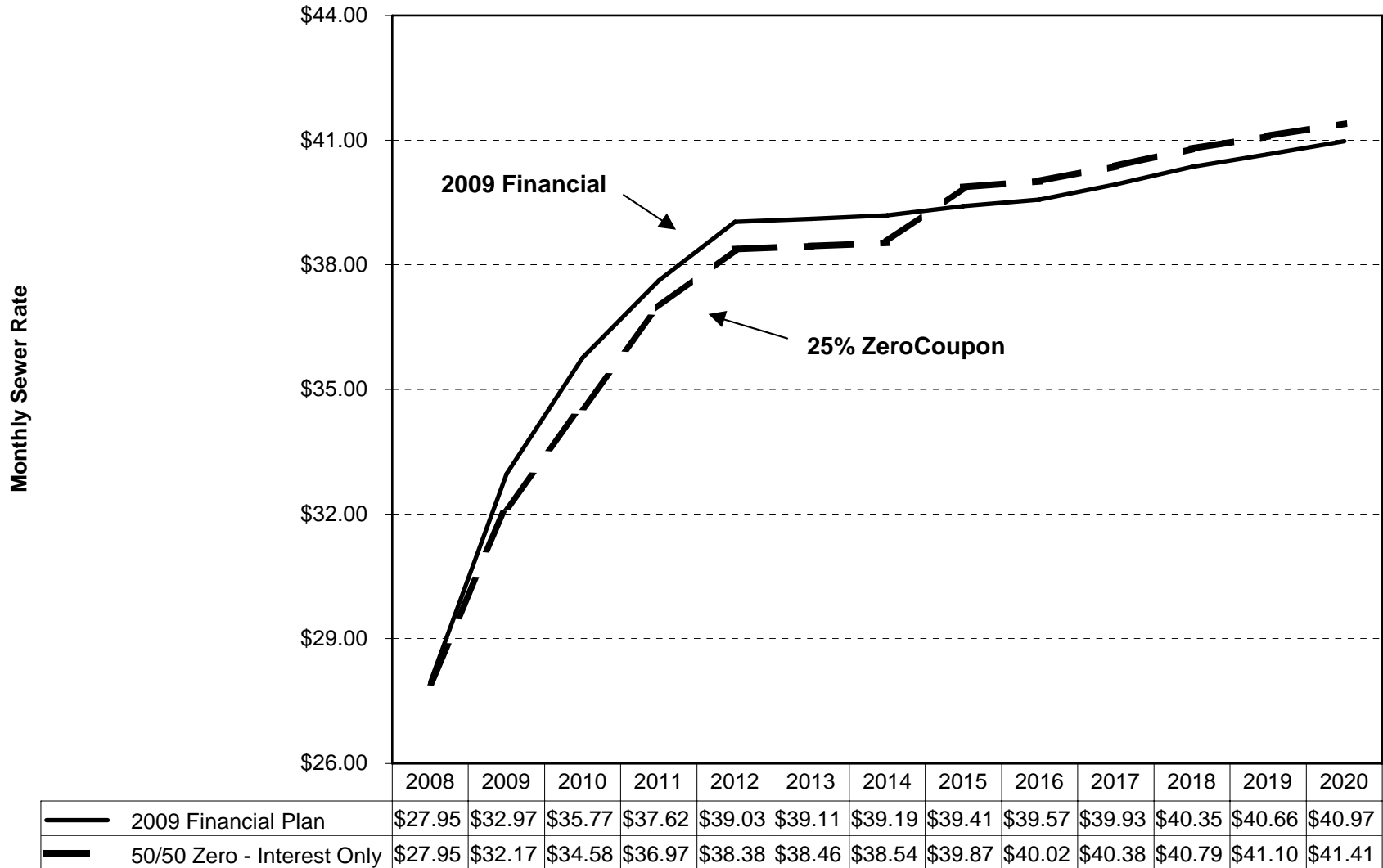
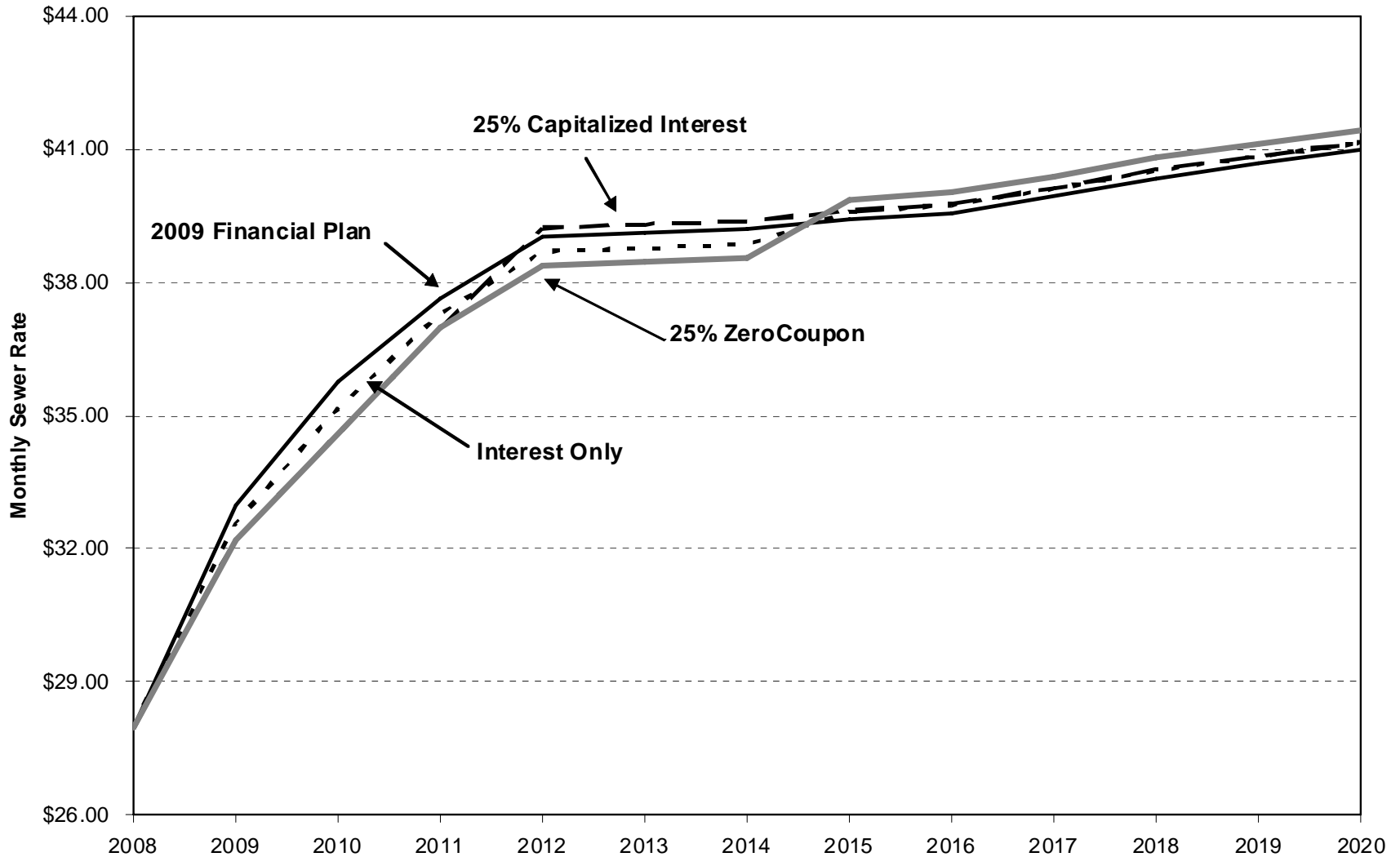


Illustration of Finance Options Comparison of Four Alternatives

\$300 Million Bond Issue in 2008



Rate Management and Bond Financing Strategies

Comparison of Financing Strategy Illustrations*						
Scenario	2008 Principal (millions)	Total Principal and Interest (millions)	2008-2015 Levelized Rate (2008 \$)	Difference from Level Payment	2016-2047 Levelized Rate (2016 \$)	Difference from Level Payment
Level Payment	\$300	\$723	\$33.64	\$0.00	\$32.97	\$0.00
Interest Only	\$300	\$748	\$33.38	(\$0.26)	\$33.04	\$0.07
25% Capitalized Interest	\$300	\$753	\$33.39	(\$0.25)	\$32.99	\$0.02
25% Zero Coupon	\$300	\$797	\$33.14	(\$0.50)	\$33.06	\$0.09

* Illustrations based on a \$300 bond issuance in 2008 with a baseline interest rate of 5.25% and 40 year terms.

Illustration of Finance Options: Zero Coupon Bonds

50% of \$300M in 2008 and 50% of \$200M in 2010

